

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF MATCHWOOD
ONTONAGON COUNTY, MICHIGAN**

March 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* TOWNSHIP OF MATCHWOOD	County* ONTONAGON	Type* TOWNSHIP	MuniCode* 66-1-070
Opinion Date-Use Calendar* 10/22/2008	Audit Submitted-Use Calendar* Oct 22, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ ☐ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue: ☐ \$ 33,526.00General Fund Expenditure: ☐ \$ 30,885.00

Major Fund Deficit Amount: \$ 0.00

General Fund Balance: ☐ \$ 58,698.00Governmental Activities
Long-Term Debt (see
instructions): ☐ \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* TIMOTHY	Last Name* MAKELA	Ten Digit License Number* 1101011826		
CPA Street Address* 301 N SUFFOLK STREET	City* IRONWOOD	State* MI	Zip Code* 49938	Telephone* +1 (906) 932-4430
CPA Firm Name* JOKI MAKELA & POLLACK P.C.	Unit's Street Address* 25105 OLD M-28	Unit's City* EWEN	Unit's Zip* 49925	

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JOKI, MAKELA & POLLACK, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of and for the year ended March 31, 2008, which collectively comprise the basic financial statements of Township of Matchwood, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of March 31, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2008, on our consideration of Township of Matchwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and page 28, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Matchwood's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
October 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF MATCHWOOD

Year ended March 31, 2008

Management's Discussion and Analysis

This section of the Township of Matchwood's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2008. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2008.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and by federal and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, generally the healthier the financial position of the Township. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The fund that is separately stated as the major fund is the General Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Because the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation of the differences between the two types of statements is provided.

The Tax Collection Fund is reported in the fiduciary fund financial statement, but is excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a March 31, 2008, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 35,405
Certificates of deposit	22,748
Property taxes receivable	<u>1,753</u>
Total Current Assets	\$ 59,906
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>4,320</u>
Total Assets	<u>\$ 64,226</u>
LIABILITIES	
Current liabilities	<u>\$ 1,208</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 4,320
Unrestricted	<u>58,698</u>
Total Net Assets	<u>\$ 63,018</u>

The Township's total net assets are \$63,018 at March 31, 2008. Capital assets are \$4,320. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

The total unrestricted net assets are \$58,698 as of March 31, 2008. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2008.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2008. Since the Township did not prepare financial statements for the year ended March 31, 2007, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>
Revenue:	
Program Revenues:	
Charges for services	\$ 1,060
Operating grants and contributions	1,872
General Revenues:	
Taxes	9,972
State and federal grants	14,278
Interest and rents	6,324
Other revenue	<u>20</u>
Total Revenue	\$ 33,526
Program expenses -	
Governmental activities	<u>27,565</u>
Increase in Net Assets	<u>\$ 5,961</u>

The Township's total cost to fund governmental activities was \$27,565. A majority of these costs were funded by property taxes and state and federal grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Fund Budgetary Items

A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report. There were no budget revisions made during the year.

Capital Assets

At March 31, 2008, the Township had \$4,320 invested in capital assets net of accumulated depreciation. Changes in capital assets during the year ended March 31, 2008, included \$3,320 for purchase of sewer holding tanks.

Debt

The Township had no outstanding debt at March 31, 2008.

Future Considerations

The Township has adopted a budget for the upcoming fiscal year that should not over expend its funding and leave the Township with a positive Fund Balance. Although the Township has a General Fund fund balance of \$58,698, the Township has set aside \$20,955 of National Forest monies and \$6,310 of Metro funds which can only be used for road maintenance. Any future improvements to be made to the Township hall and grounds would need to be paid for with added ad valorem taxes through a special property tax levy.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Matchwood, Ewen, MI 49925; telephone number (906) 575-3366.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2008

ASSETS	
CURRENT ASSETS	
Cash	\$ 35,405
Certificates of deposit	22,748
Property taxes receivable	<u>1,753</u>
TOTAL CURRENT ASSETS	\$ 59,906
NONCURRENT ASSETS	
Capital assets	\$ 23,579
Less accumulated depreciation	<u>(19,259)</u>
TOTAL NONCURRENT ASSETS	<u>\$ 4,320</u>
TOTAL ASSETS	<u>\$ 64,226</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 699
Payroll taxes	<u>509</u>
TOTAL CURRENT LIABILITIES	<u>\$ 1,208</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 4,320
Unrestricted	<u>58,698</u>
TOTAL NET ASSETS	<u>\$ 63,018</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Legislative	\$ 3,566			\$ (3,566)
General government	17,299			(17,299)
Public safety	1,794	\$ 1,060	\$ 385	(349)
Public works			1,487	1,487
Other functions	<u>4,906</u>			<u>(4,906)</u>
Total Governmental Activities	\$ 27,565	\$ 1,060	\$ 1,872	\$ (24,633)
General revenues:				
Taxes				\$ 9,972
State and federal grants				14,278
Interest and rents				6,324
Other revenue				<u>20</u>
Total General Revenues				<u>\$ 30,594</u>
Change in Net Assets				\$ 5,961
Net assets at April 1, 2007				<u>57,057</u>
Net assets at March 31, 2008				<u>\$ 63,018</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2008

ASSETS	
Cash	\$ 35,405
Certificates of deposit	22,748
Property taxes receivable	<u>1,753</u>
	<u>\$ 59,906</u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ 699
Payroll taxes	<u>509</u>
	\$ 1,208
Fund Equity - unreserved fund balance	<u>58,698</u>
	<u>\$ 59,906</u>
The accompanying notes are an integral part of the financial statements.	

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
WITH THE STATEMENT OF NET ASSETS

TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2008

Total fund equity of governmental activities	\$	58,698
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$	23,579	
Accumulated depreciation		<u>(19,259)</u>	<u>4,320</u>

Total net assets of governmental activities	\$	<u>63,018</u>
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The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

Revenues:			
Taxes		\$	9,972
Licenses and permits			1,060
State grants			9,784
Federal grants			6,366
Interest and rents			6,324
Other revenue			<u>20</u>
		\$	33,526
Expenditures:			
Current:			
Legislative	\$	3,566	
General government		17,299	
Public safety		1,794	
Other functions		4,906	
Capital outlay		<u>3,320</u>	<u>30,885</u>
	EXCESS OF REVENUES OVER EXPENDITURES	\$	2,641
Fund balance at April 1, 2007			<u>56,057</u>
	FUND BALANCE AT MARCH 31, 2008	\$	<u>58,698</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES
TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2008

Total net change in fund balance - governmental funds	\$ 2,641
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	<u>3,320</u>
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Change in net assets of governmental activities	<u>\$ 5,961</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

	Balance at April 1, 2007	<u>Tax Collection</u>		Balance at March 31, 2008
		Additions	Deductions	
ASSETS				
Cash in bank	<u>\$ 7,448</u>	<u>\$ 265,096</u>	<u>\$ 272,544</u>	<u>\$ 0</u>
LIABILITIES				
Due State of Michigan	\$ 0	\$ 50,411	\$ 50,411	\$ 0
Due General Fund	7,318	7,672	14,990	
Due Ontonagon County		71,237	71,237	
Due Ewen-Trout Creek School		116,217	116,217	
Due Gogebic-Ontonagon Intermediate School District		19,262	19,262	
Due others	<u>130</u>	<u>297</u>	<u>427</u>	
	<u>\$ 7,448</u>	<u>\$ 265,096</u>	<u>\$ 272,544</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the
financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Matchwood operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no interfund activity to be eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General Fund as a major fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Fiduciary Fund Type

Agency Fund – The Tax Collection Fund is used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. This fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as “susceptible to accrual”). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the original and final budget authorization. Budgets are adopted on the functional level and lapse at the end of the year. There were no budget amendments made during the year.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and Local School District.

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation. The Township had no outstanding debt at March 31, 2008.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township had no restricted assets at March 31, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2008, total cash and certificates of deposit as reported by banks and investment broker amounted to \$58,153, of which all was covered by depository insurance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – PROPERTY TAXES

A summary of the 2007 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	12.5282	\$ 80,475	\$ 9,239	\$ 71,236
State education tax	6.0000	38,000	2,890	35,110
Local school	15.8626	75,358	4,738	70,620
School bond	8.5000	53,833	8,236	45,597
Intermediate school	3.2923	20,847	1,585	19,262
Township	<u>0.9427</u>	<u>5,968</u>	<u>913</u>	<u>5,055</u>
TOTALS	<u>47.1258</u>	<u>\$ 274,481</u>	<u>\$ 27,601</u>	<u>\$ 246,880</u>
Taxable valuation:				
Homestead				\$ 1,582,757
Non-homestead				<u>4,750,776</u>
			Total	<u>\$ 6,333,533</u>

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township had no funds with a deficit as of March 31, 2008.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE E – PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2008, follows:

Receipts from charging administrative fee	\$ 3,438
Cost incurred	<u>8,516</u>
Excess of costs	<u>\$ (5,078)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2008:

	Balance at April 1, <u>2007</u>	<u>Additions</u>	Balance at March 31, <u>2008</u>
<u>Governmental Activities</u>			
Assets:			
Land	\$ 1,000		\$ 1,000
Buildings and improvements	16,255	\$ 3,320	19,575
Equipment	<u>3,004</u>		<u>3,004</u>
	\$ 20,259	\$ 3,320	\$ 23,579
Less accumulated depreciation	<u>19,259</u>		<u>19,259</u>
Net Capital Assets	<u>\$ 1,000</u>	<u>\$ 3,320</u>	<u>\$ 4,320</u>

NOTE G – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2008, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2008, the Township collected construction code service fees of \$1,060 and spent \$734 for enforcing the construction code. Because the fee structure may or may not recover the full cost of enforcing the code from year to year and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

	Original and Final Budget	Actual
Revenues:		
Taxes	\$ 8,020	\$ 9,972
Licenses and permits	2,000	1,060
State grants	9,765	9,784
Federal grants	5,280	6,366
Interest and rents	4,675	6,324
Other revenue	<u>900</u>	<u>20</u>
TOTAL REVENUES	\$ 30,640	\$ 33,526
Expenditures:		
Current:		
Legislative	\$ 5,600	\$ 3,566
General government	21,941	17,299
Public safety	3,085	1,794
Public works	6,780	
Other functions	9,702	4,906
Capital outlay	<u>5,000</u>	<u>3,320</u>
TOTAL EXPENDITURES	\$ 52,108	\$ 30,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (21,468)	\$ 2,641
Fund balance at April 1, 2007	<u>56,057</u>	<u>56,057</u>
FUND BALANCE AT MARCH 31, 2008	\$ 34,589	\$ 58,698

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes:			
Current	\$ 6,500	\$ 5,055	\$ (1,445)
Delinquent	<u>1,000</u>	<u>939</u>	<u>(61)</u>
	\$ 7,500	\$ 5,994	\$ (1,506)
Commercial forest reserve	500	531	31
Swamp tax	20	9	(11)
Property tax administrative fee	<u> </u>	<u>3,438</u>	<u>3,438</u>
	\$ 8,020	\$ 9,972	\$ 1,952
Licenses and permits	2,000	1,060	(940)
State grants:			
Shared revenues	\$ 7,880	\$ 7,912	\$ 32
Road maintenance	1,500	1,487	(13)
Liquor fees	<u>385</u>	<u>385</u>	<u> </u>
	\$ 9,765	\$ 9,784	\$ 19
Federal grants - National forest	5,280	6,366	1,086
Interest and rents:			
Interest earned	\$ 575	\$ 1,636	\$ 1,061
Rents	<u>4,100</u>	<u>4,688</u>	<u>588</u>
	\$ 4,675	\$ 6,324	\$ 1,649
Other revenue - miscellaneous	<u>900</u>	<u>20</u>	<u>(880)</u>
TOTAL REVENUES	<u>\$ 30,640</u>	<u>\$ 33,526</u>	<u>\$ 2,886</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2008

	<u>Expenditures</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
LEGISLATIVE			
Township Board:			
Salaries	\$ 1,800	\$ 1,800	
Office supplies	1,900	405	\$ 1,495
Professional and contractual services	350	208	142
Tax roll processing	1,300	1,055	245
Miscellaneous	<u>250</u>	<u>98</u>	<u>152</u>
TOTAL LEGISLATIVE	\$ 5,600	\$ 3,566	\$ 2,034
GENERAL GOVERNMENT			
Supervisor:			
Salary	\$ 2,808	\$ 2,772	\$ 36
Miscellaneous	<u>950</u>	<u>190</u>	<u>760</u>
	\$ 3,758	\$ 2,962	\$ 796
Election:			
Salaries	\$ 650	\$ 1,010	\$ (360)
Miscellaneous	<u>850</u>	<u>55</u>	<u>795</u>
	\$ 1,500	\$ 1,065	\$ 435
Assessor:			
Salary	\$ 2,735	\$ 2,050	\$ 685
Miscellaneous	<u>400</u>	<u>370</u>	<u>30</u>
	\$ 3,135	\$ 2,420	\$ 715
Clerk:			
Salary	\$ 2,808	\$ 2,772	\$ 36
Miscellaneous	<u>1,270</u>	<u>272</u>	<u>998</u>
	\$ 4,078	\$ 3,044	\$ 1,034
Treasurer:			
Salary	\$ 2,808	\$ 2,772	\$ 36
Miscellaneous	437	1,468	(1,031)
Summer tax collection	<u>700</u>	<u>600</u>	<u>100</u>
	\$ 3,945	\$ 4,840	\$ (895)
Board of review:			
Salary	\$ 500	\$ 516	\$ (16)
Miscellaneous	<u>875</u>	<u>740</u>	<u>135</u>
	\$ 1,375	\$ 1,256	\$ 119
Attorney	1,000		1,000
Town hall and property:			
Repairs and maintenance	\$ 2,150	\$ 707	\$ 1,443
Utilities	<u>1,000</u>	<u>1,005</u>	<u>(5)</u>
	\$ 3,150	\$ 1,712	\$ 1,438
TOTAL GENERAL GOVERNMENT	\$ 21,941	\$ 17,299	\$ 4,642

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
PUBLIC SAFETY			
Liquor law enforcement	\$ 385	\$ 360	\$ 25
Fire protection - contracted services	700	700	
Building inspector	<u>2,000</u>	<u>734</u>	<u>1,266</u>
TOTAL PUBLIC SAFETY	\$ 3,085	\$ 1,794	\$ 1,291
PUBLIC WORKS - Highways and streets	6,780		6,780
OTHER FUNCTIONS			
Insurance and bonds	\$ 3,000	\$ 3,099	\$ (99)
Payroll taxes	2,100	1,093	1,007
Miscellaneous	<u>4,602</u>	<u>714</u>	<u>3,888</u>
TOTAL OTHER FUNCTIONS	\$ 9,702	\$ 4,906	\$ 4,796
CAPITAL OUTLAY -			
Townhall and property	<u>5,000</u>	<u>3,320</u>	<u>1,680</u>
TOTAL EXPENDITURES	<u>\$ 52,108</u>	<u>\$ 30,885</u>	<u>\$ 21,223</u>

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of and for the year ended March 31, 2008, which collectively comprise the Township of Matchwood's basic financial statements and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Matchwood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose or expressing an opinion on the effectiveness of the Township of Matchwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Matchwood's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of

control deficiencies, that adversely affects the Township of Matchwood's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Township of Matchwood's financial statements that is more than inconsequential will not be prevented or detected by the Township of Matchwood's internal control. We consider the deficiency described in the accompanying schedule of findings as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Matchwood's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described in the Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Matchwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Township of Matchwood's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Township of Matchwood's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
October 22, 2008

SCHEDULE OF FINDINGS
TOWNSHIP OF MATCHWOOD
Year ended March 31, 2008

SIGNIFICANT DEFICIENCY

(08-1) Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the Township. The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide an oversight function.

The Board agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

JOKI, MAKELA & POLLACK, P.L.L.C.
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Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have compiled the Annual Local Unit Fiscal Report of Township of Matchwood for the year ended March 31, 2008, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Michigan Department of Treasury information that is the representation of management. We have not audited or reviewed the financial statement referred to above and, accordingly, do not express an opinion or any other form of assurance on it.

This financial statement is presented in accordance with the requirements of the State of Michigan Department of Treasury, which differ from generally accepted accounting principles. Accordingly, this financial statement is not designed for those who are not informed about such differences.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
October 22, 2008